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## OFFICE OF THE ALBANY CITY TREASURER

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**DATE:** August 28, 2017

**TO:** Hon. Kathy M. Sheehan  
Members of the Common Council

**FROM:** Hon. Darius Shahinfar

**CC:** Rachel McEneny, Mike Wheeler

**RE:** 2nd quarter 2017 Performance

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The following is a summary of the unaudited results for the 2nd Quarter 2017. Fiscal performance was stable and well within overall budgetary expectations for 2017. Some notable outliers are sales tax revenue which was down and which we are watching closely, and DGS costs associated with snow removal which understandably spiked with our three snow emergencies in February and March.

Revenue in the second quarter of 2017 totaled almost \$114.8M (nearly \$7.8M more than the same period last year), while expenses totaled almost \$84.1 million (including retirement), an increase of nearly \$4M compared to the second quarter of 2016, largely because of higher workers' comp, health care, DGS snow removal related costs, demolition expenses and debt service.

### REVENUE (Thousands)

	JUNE	JUNE		%	JUNE	Annual		%
REVENUE	YTD 17	YTD 16	Variance		YTD 17	Budget	Variance	Budget
PROPERTY TAX	57,804	56,600	1,204	2%	57,804	57,700	104	100%
SALES/USE TAX	16,112	16,362	(250)	-2%	16,112	34,112	(18,000)	47%
PILOTS/19-a	11,353	16,914	(5,561)	-33%	11,353	20,429	(9,076)	56%
OTHER LOCAL SOURCES	1,311	1,058	253	24%	1,311	3,170	(1,859)	41%
LANDFILL	4,287	6,144	(1,857)	-30%	4,287	7,253	(2,966)	59%
OTHER DEPARTMENTS	3,139	3,352	(213)	-6%	3,139	5,647	(2,508)	56%
INTER GOVERNMENT	122	117	5	4%	122	235	(113)	52%
FINES	2,620	2,484	136	5%	2,620	5,204	(2,584)	50%
LICENSES AND PERMITS	2,122	1,287	835	65%	2,122	3,727	(1,605)	57%
STATE AID	13,116	499	12,617	2528%	13,116	29,506	(16,390)	44%
SALE P/COMP/LOSS	65	175	(110)	-63%	65	401	(336)	16%
MISCELLANEOUS	2,452	2,012	440	22%	2,452	8,396	(5,944)	29%
OTHER	312	43	269	626%	312	2,132	(1,820)	15%
<b>TOTAL REVENUE</b>	<b>114,815</b>	<b>107,047</b>	<b>7,768</b>	<b>7%</b>	<b>114,815</b>	<b>177,912</b>	<b>(63,097)</b>	<b>65%</b>

The chart above summarizes the City's sources of revenue through June 30, 2017, and the figures are largely within budget expectations.

1. **Property Tax revenue** was higher than last year by \$1.2M as result of the expansion of the tax base under the reassessment, and over budget at the end of the second quarter as a result of paying a small number of assessment reduction challenges by the end of the quarter.
2. **Sales Tax revenue** decreased by \$250,000 from last year and was slightly below budget at 47% for the year in the second quarter. This item bears watching as a \$500,000-\$1M reduction in this revenue line is possible without a rebound in County sales in the second half.
3. **PILOTS/19-a revenue** was 33% lower or almost \$5.6 million less than the same period last year. Most of the decrease is a timing issue, due to the City receiving only half (\$6.25 million) of the \$12.5 million in additional 19-a money from the State by this time last year.
4. **Other Local sources revenue** increased 24% from the second quarter of 2016. Interest fees on late property taxes increased by almost \$230,000 and utility gross receipts increased almost \$35,000.
5. **Landfill revenue** decreased 30% or almost \$1.9 million compared to the same period last year. Tipping fees decreased by almost \$1.5 million from commercial and municipal customers and contaminated soil decrease by \$401K. However, revenue is at 59% of budget for the year and additional increases are expected over the summer due to spot market pricing, even as overall waste inflow decreases.
6. **Other Departmental revenue** was 6% (\$213K) lower than last year at this time. Waste collection fees decreased by \$121,000, golf fees were lower by over \$19,000, golf cart and range fees were down by over \$35,000, rental registries were down \$46,000, and APD Event Security revenue decreased by almost \$58,000.
7. **Fines and Forfeitures revenue** increased by 5% from last year. Parking ticket fines and surcharges combined for an estimated increase of \$271,000. Traffic violation fines were down by over \$135,000. The reason for the parking ticket estimate is a lag of three months for parking ticket revenue reports due to the changeover in ticketing/permitting systems.
8. **Licenses and Permits revenue** increased 65% (\$835K) compared to the same period last year. Most of the increase is from the timing of billing demolition fees (\$786K) on the new ERP system, street opening revenue increased by \$84K and plumbing permit revenue increased by \$58K. Parking permit revenue decreased by almost \$44K from a three month lag in reporting due to a changeover in ticketing systems.

9. **State aid** – Increased by \$12.6 million. The majority of the increase \$12.5 million is from the State making a first time payment for Capital City Funding.
10. **Miscellaneous revenue** increased \$440,000 or 22% from last year at this time. Refund of prior expenses increased by \$517,000, health insurance reimbursements increased by almost \$56,000, health insurance rebates increased by over \$60,000 while refund of prior year recycling expenses decreased by \$246,000.
11. **Other revenue** increased by \$269,000 compared to the same period last year. The city received over \$242,000 from a SAFER Grant for the fire department. Most of the revenue in this category is derived from federal government grants and the timing of these payments varies from one year to the next.

## DISBURSEMENTS

Category/Account	JUNE YTD 17	JUNE YTD 16	Variance	%	Annual Budget	Variance	% Budget
Personal Benefits 7100-7199	36,722,896	35,467,454	1,255,442	3.5%	75,733,655	(39,010,759)	48%
Fringe Benefits 7801-7863	20,711,485	19,865,983					
Retirement Estimate	<u>3,750,120</u>	<u>4,115,329</u>					
	24,461,605	23,981,312	480,293	2.0%	52,004,971	(27,543,366)	47%
Non-Personal Service 7210-7701	<u>22,958,965</u>	<u>20,654,943</u>	<u>2,304,022</u>	<u>11.2%</u>	<u>50,255,469</u>	<u>(27,296,504)</u>	<u>46%</u>
Total	84,143,466	80,103,709	4,039,757	5.0%	177,994,095	(93,850,629)	47%
Number of weeks in period	26	26	0		52		50%

**Total disbursements increased by slightly over \$4.0M or 5.0% compared to the same period last year.** Spending was up in all of the categories Fringe Benefits, Personnel Benefits and Non-Personal Services compared to 2016. However, all categories are under budget thus far for the year.

1. **Salary expense increased by a little over \$1.2M or 3.5%** compared to the same period last year. This was still below budget at only 48%. The Fire department was up by \$1.1 million from salary increases related to new hires and contract settlements and the Police department increased by \$223,000 from 2016. Most of the other City departments were at similar

levels or had slightly lower salary expenses for the quarter. Contract settlements will move these numbers higher in the second half of the year.

- 2. Benefits Expenses increased by \$480,000 or 2.0%** from the first half of last year, but again, this category was below budget for the second quarter at 47%. Most of the increase in this category was attributable to increases in workers compensation lines (\$480K) and retiree and employee health insurance lines (\$439K) because of higher claims and premium costs, a reversal of the 2016 trends in both items. In contrast, the retirement expense estimate is lower by (\$804K) based on a reduced anticipated cost for 2017.
- 3. Non-Personal Service spending increased by slightly more than \$2.3 million or 11.2%.** Not including encumbrances this category was lower than budgeted, at 46% by the end of the second quarter. This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. The second quarter saw increases over last year in the following areas: for DGS, gasoline expense (\$126K) and snow removal supplies and expense (\$262K); for BRC, demolitions expenses (\$272K); and debt service expenses increased by \$1.7M from making the first payments on the 2016 bonds this year. On the bright side, equipment expenses decreased (\$96K).
- 4. Encumbrances (funds reserved for purchases) increased by almost \$600K** compared to the same period last year. Encumbrances total almost \$5.8M at the end of the second quarter.

## OVERTIME

Department	2017	2016	Change	%	2017	Budget	% of Budget
Police (non-reimbursable)	2,337,113	2,166,647	170,466	8%	2,337,113	4,050,000	58%
Fire	369,445	508,689	(139,244)	-27%	369,445	439,000	84%
Communications	124,411	95,247	29,164	31%	124,411	175,000	71%
Parks Maintenance	104,848	71,165	33,683	47%	104,848	185,000	57%
Waste Collection	115,498	89,174	26,324	30%	115,498	175,000	66%
Landfill	96,468	58,780	37,688	64%	96,468	151,000	64%
Central Maint.	23,722	16,702	7,020	42%	23,722	70,000	34%
Street Maintenance	162,698	94,503	68,195	72%	162,698	270,000	60%
Recreation	4,811	7,290	(2,479)	-34%	4,811	12,000	40%
Traffic Engineering	20,830	18,607	2,223	12%	20,830	45,000	46%
Capital Hills	13,896	8,047	5,849	73%	13,896	26,000	53%
Fleet Maintenance	19,489	3,484	16,005	459%	19,489	26,000	75%
Bleeker Stadium	0	0	0	0%	0	600	0%
Buildings	45,057	31,319	13,738	44%	45,057	50,000	90%
DGS Administration	639	701	(62)	-9%	639	2,500	26%
Control of Animals	4,378	3,107	1,271	41%	4,378	9,000	49%
Special Events	5,858	6,778	(920)	-14%	5,858	15,000	39%
<b>General Fund</b>	<b>3,449,161</b>	<b>3,180,240</b>	<b>268,921</b>	<b>8%</b>	<b>3,449,161</b>	<b>5,701,100</b>	<b>60%</b>
Police (reimbursable)	575,830	586,159	(10,329)	-2%	575,830	1,200,000	48%
Traffic Eng. (reimbursable)	0	224	(224)	0%	0	500	0%
<b>Water</b>	<b>277,976</b>	<b>330,839</b>	<b>(52,863)</b>	<b>-16%</b>	<b>277,976</b>	<b>580,000</b>	<b>48%</b>
<b>Totals</b>	<b>4,302,967</b>	<b>4,097,462</b>	<b>205,505</b>	<b>5%</b>	<b>4,302,967</b>	<b>7,481,600</b>	<b>58%</b>

**General Fund overtime was at 60% of the budget at the end of the second quarter.** Excluding the Water Department (for which the City is reimbursed) and reimbursable Police overtime, overtime expense was 8% or almost (\$269K) higher than the same period last year.

The Police department had the biggest increase in overtime payments which were up by over \$170K. Street Maintenance increased by over \$68K, which was related to the additional work required for snow removal this past winter. The Fire department decreased by over \$139K and posted its lowest 2Q OT since 2012, but ended the quarter at 84%. OT, as expected, began to be reduced as new recruits filled staffing gaps. The majority of departments have higher overtime expenses this year than last year.

## CASH



**The City's cash position was 18% more than forecasted and \$8.6M higher than the same period last year.** Most of the increase is related to the City receiving \$12.5M from the Capital City Funding payment for the first time. Some of this increase was offset by paying out more for payroll costs from converting back to a 52 week pay period from a 53 week pay period last year and for labor contract settlement related increases.

## CONCLUSION

The City's revenues for the quarter totaled almost \$114.8 million a \$7.8 million increase over last year primarily related to receiving the \$12.5 million for Capital City Funding. Expenses increased by over \$4.0 million compared to 2016, mostly as the result of increases in fire department salaries, worker's compensation expenses, demolition expenses, snow removal expenses and debt service expenses.

Thus far there are no major surprises for 2017 other than the 3 snow emergencies, and the City is largely moving forward as expected financially. The City will have to continue to watch expenses closely, particularly overtime, and try to control them as much as possible, while continuing to push for revenue increases where it can locally, and at the State level where a permanent solution for the revenue gap caused by tax exempt properties remains the goal.